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Comptroller General  
of the United States  
Washington, D.C. 20548

## Decision

**Matter of:** ISC Defense Systems, Inc.  
**File:** B-236597  
**Date:** December 20, 1989

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### DIGEST

1. Award on the basis of initial proposals to the firm judged to be most advantageous under the evaluation factors listed in the solicitation but proposing second lowest cost was proper where the only lower-priced proposal was technically unacceptable.
2. The determination of the merits of an offeror's technical proposal is primarily the responsibility of the procuring agency and will be questioned only upon a showing of unreasonableness.

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### DECISION

ISC Defense Systems, Inc. (ISCD), protests the award of a contract to Sparton Defense Electronics under request for proposals (RFP) No. N00024-89-R-6074 issued by the Naval Sea Systems Command for the purchase of the Target Detecting Device (TDD) MK71 portion of the Quickstrike Mines.<sup>1/</sup>

We deny the protest.

The Navy issued the solicitation on February 1, 1989, with a closing date of May 2, 1989. The RFP called for the full scale engineering development phase of the TDD program with several systems requirements including engineering and development models and evaluation hardware for the TDD, battery and interface equipment, and test system. The RFP also required an adapter (evaluation hardware), influence

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<sup>1/</sup> The Quickstrike Mines are a family of modern, modular, mines for use against surface and subsurface targets in shallow depth water. The TDD MK71 and associated ancillary items perform target identification for the Quickstrike Mines.

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sensors, unit containers, training, special tooling, provisioning technical documentation, and associated data and data rights.<sup>2/</sup> The RFP provided for the award of a fixed price incentive contract and contained three options for production units of the requirement and other ancillary items.

The RFP stated that award would be made to a single responsible, responsive offeror which is technically qualified, offers a reasonable and realistic cost and which, based on weighing of the technical and cost proposals, is deemed to offer the best value to the government. According to the RFP, proposals were to be evaluated against five factors which were listed in descending order of importance. These factors were technical approach, product assurance, manufacturing capability, management, and resources. The RFP further stated that evaluation of price proposals would be of secondary importance and would include the evaluation of each offeror's proposed development price, cost realism for such price and proposed production price.

The Navy received five proposals. The technical proposals were evaluated by the technical evaluation panel, which was comprised of five teams in the areas of technical approach, product assurance, resources, management and manufacturing capability. The cost proposals were also evaluated and scored. The following scores were assigned to the proposals:

	Technical	Price
ISCD	72.95	94.35
Sparton	82.5	84.26
Honeywell	74.25	47.63
Hazeltine	76.60	48.81
FEL	70.60	37.29

After reviewing the evaluation documents and applying the pre-established weights to the assigned scores, the Navy concluded that ISCD and FEL were technically unacceptable and that Sparton, Hazeltine and Honeywell were technically acceptable. Since Sparton received the highest combined total weighted score as well as both the highest technical score and the highest cost score of the technically

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<sup>2/</sup> Some portions of the TDD requirement are considered classified by the Navy. Although the evaluation of these requirements has been reviewed by our Office, we will not discuss them in this decision.

acceptable proposals, the Navy decided to make award to Sparton as representing the best value to the government, on the basis of initial proposals. Award was made to Sparton as the low priced offeror on July 14, 1989. ISCD's protest was filed on August 16, 1989.

With respect to ISCD's proposal, the Navy specifically found that there was an unacceptably high likelihood that ISCD's design approach in several critical areas would not provide a TDD and related test equipment which would meet contractual and operational requirements within the required schedule. The Navy further concluded that the problems with ISCD's proposal would have required substantial revision in order to make it acceptable.

The protester maintains that the Navy's conclusion that its proposal contained numerous technical deficiencies, not easily resolved through negotiations, was based on numerous factual errors, misinterpretations of the RFP, and misinterpretations of its proposal.

Award on the basis of initial proposals can only be made to the low technically acceptable offeror representing the lowest overall cost to the government. 10 U.S.C. §§ 2305(b)(4)(ii) (1988). Thus, the basic issue here is whether the Navy reasonably evaluated ISCD's low priced proposal as technically unacceptable.

Evaluation of proposals basically involves the exercise of the contracting agency's discretion, and we will not question the results of an evaluation unless they are shown to be unreasonable. See Datron Systems, Inc., B-220423 et al., Mar. 18, 1986, 86-1 CPD ¶ 264. Further, the fact that a protester may disagree with the agency's conclusion does not itself render the evaluation unreasonable. See TIW Systems, Inc., B-222585.8, Feb. 10, 1987, 87-1 CPD ¶ 140. Our review of the record, which contains extensive highly technical arguments by both parties, indicates that the agency had a reasonable basis for its conclusion that ISCD's proposal was unacceptable.

The Navy found that ISCD's proposed design was unable to meet certain major requirements involving the following: (1) hybrid integrated circuit; (2) EX-650 test set; (3) battery design; and (4) configuration management approach. First, the Navy concluded that ISCD's hybrid integrated circuit (TDD brain) design posed serious reliability problems because of the use of single thin interconnection leads among the elements internal to the hybrid. The RFP required that the circuit should not be disrupted by shock, vibration or temperature extremes. According to the Navy,

ISCD's design, which includes a large number of interconnections, did not satisfactorily demonstrate an ability to survive the extremes of the rigorous mission environment and failed to offer reliability engineering support and a risk management plan sufficient to address the risks of ISCD's design. ISCD admits that it did not indicate in detail the type of interconnections it would use in its proposal and merely stated that it would establish this during the development process. Also, while ISCD argues that it was unnecessary to provide details concerning compliance with shock and vibration levels since it clearly indicated in its proposal that it would comply with the standard industry practice, ISCD admits not providing details concerning compliance with required shock and vibration levels or showing how industry practice satisfied RFP requirements.

ISCD admits its proposal lacked detail concerning the interconnections and also did not contain information concerning the design's ability to withstand environmental extremes as required by the RFP. This lack of explanation in ISCD's proposal was further compounded by ISCD's failure to address the risks of its design in its proposal. It is incumbent upon an offeror to demonstrate the acceptability of its proposal. Here, we think it is clear that ISCD failed to do so and we think the agency reasonably could conclude ISCD's hybrid design was unacceptable.

The Navy also determined that ISCD's proposed EX-650 test set<sup>3/</sup> would not work properly because of improper stimulus location. The Navy's determination of the stimulus position was based on a drawing included in ISCD's proposal which indicated that ISCD proposed a horizontal application of the stimuli instead of vertical. ISCD admits that this drawing was contained in its proposal but maintains that it was merely a "conceptual diagram," not an assembly drawing or detailed design documentation. ISCD argues that neither this drawing nor the proposal test set information indicates that ISCD intended to apply stimulus along a particular axis. We find that ISCD's design reasonably was found not acceptable as proposed. ISCD admits that the diagram was part of its proposal and we think the agency was reasonable in relying upon the "conceptual" diagram in determining

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<sup>3/</sup> The EX-650 test set is to be used at maintenance sites worldwide to check the operational suitability of the TDD at various intervals during the TDD's stockpile storage life. The details of this requirement is deemed classified by the Navy.

whether the offer met its requirements, since it was submitted to the Navy as part of ISCD's proposal. It appeared from ISCD's proposal that the location for stimulus application was not workable and we do not believe the agency was unreasonable in rejecting ISCD's approach. While the protester claims that the diagram was not intended to convey its approach to the stimulus location problem, it appears that the ISCD design was inadequately explained and, in our view, the agency could reasonably conclude that this aspect of ISCD's proposal showed a lack of understanding of what would be required to develop an adequate test kit.

Concerning the battery design, the Navy found that the design proposed by ISCD did not meet storage life requirements. The RFP required the proposed battery to maintained a 5-year storage life and temperature performance down to -55 degrees centigrade. ISCD admits that its proposed battery had a demonstrated capability of performing for a full 5 years at temperatures as low as only -25 degrees centigrade. In fact, ISCD, to mitigate the recognized risk associated with temperatures below -25 degrees centigrade, proposed an additional mercury battery with the demonstrated ability to operate at -55 degrees centigrade in the event that the primary battery could not operate over the complete temperature range. However, ISCD concedes that the storage life of this mercury battery was only 3 years, not 5 years as required by the RFP. Therefore, the ISCD's battery design would only meet with some certainty the -55 degrees centigrade requirement for only 3 years.

The Navy also found that ISCD did not meet all the RFP requirements regarding required drawings. The RFP provided that production drawings are required for all components of the system (TDD, test and presetting equipment, battery and adapter) except the interface equipment. ISCD planned to use sketches rather than finished production drawings for the procurement, manufacture, and testing of the hardware. ISCD argues that the solicitation requires the use of conceptual and developmental drawings. However, ISCD misinterpreted the requirements of the RFP with respect to the types of drawings to be delivered and improperly proposed use of sketches for the TDD.

In addition, the Navy states that ISCD failed to meet the requirement that drawings be under government configuration control.<sup>4/</sup> The agency's precise concern was that ISCD has

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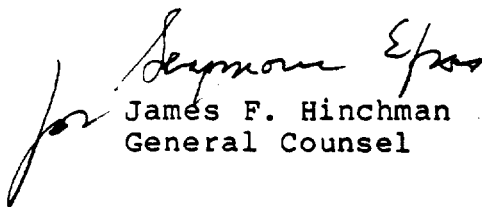
<sup>4/</sup> The processing and approval of changes to the drawings.

failed to permit time in its schedule to meet the requirement that all changes to these drawings made during the time between Critical Design Review and operational testing be approved by the government. The Navy determined that ISCD's proposal did not reflect an accurately planned schedule and level of effort for the period of time between Critical Design Review and operational testing, since it did not take into consideration the time needed to obtain government approval of changes to the drawings. Although ISCD disagrees with the Navy's evaluation here, ISCD has not shown that the evaluation was unreasonable.

Thus, the record shows that ISCD's proposal did not meet certain technical requirements and its overall design approach was considered to involve a high degree of risk. The protester, while expressing disagreement with the technical determination by the agency, has not shown the evaluation of ISCD as technically unacceptable to be unreasonable. Further, we think that given these deficiencies, several of which the record indicates would involve design modifications and preparation of more complex drawings and plans, the agency could reasonably conclude that ISCD's proposal was technically unacceptable.<sup>5/</sup>

Since we find that the agency reasonably concluded that ISCD's proposal was technically unacceptable and would require major revisions, the agency was not prohibited in these circumstances from awarding to the lowest technically acceptable offeror, despite ISCD's lower price. See Micronics, Inc., B-228404, supra.

The protest is denied.

  
James F. Hinchman  
General Counsel

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<sup>5/</sup> ISCD also argues that members of the technical review panel had access to ISCD's price proposal during the evaluation process. The Navy maintains, however, that at no time during the evaluation did any member of the technical evaluation panel have access to ISCD's or any other offeror's proposal. We have no basis to conclude otherwise.